Green Giraffe
The renewable energy financial advisors

Financing floating offshore wind

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A specialist advisory boutique focused on renewable energy

We get deals done

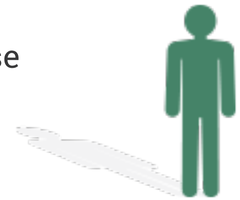
Deep roots in renewable energy finance

- Launched in 2010 by experienced finance specialists with a **strong and proven track record** in renewable energy
- 50+ professionals with offices in Utrecht (the Netherlands), Paris (France), London (UK) and Hamburg (Germany)
- Multi-disciplinary skill set including **project & structured finance, contract management, M&A, legal & tax expertise**

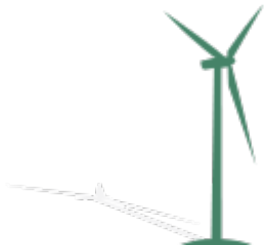
High quality, specialised advisory services

- Focus on projects where we can actually add value
- We can provide a holistic approach and are able to include sector-specific tasks in addition to traditional debt or equity advisory (such as contracting, strategic advisory and development services)
- Priority given to **getting the deal done!**

More than **EUR 10 billion** funding raised for renewable energy projects in **6 years**



50+ professionals in **4 countries**



Involved in over **75 renewable energy projects** with a capacity of more than **14 GW**

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How projects are financed

"Balance sheet" (equity) vs "non-recourse" (debt)

Large projects are typically developed through a stand alone project company:

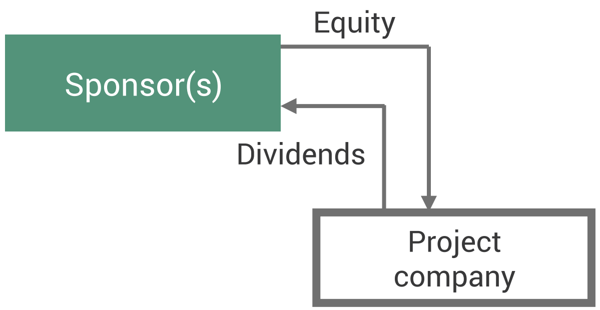
- Owned by the project investors
- With its own revenues & balance sheet and thus the ability to raise debt on its own merits

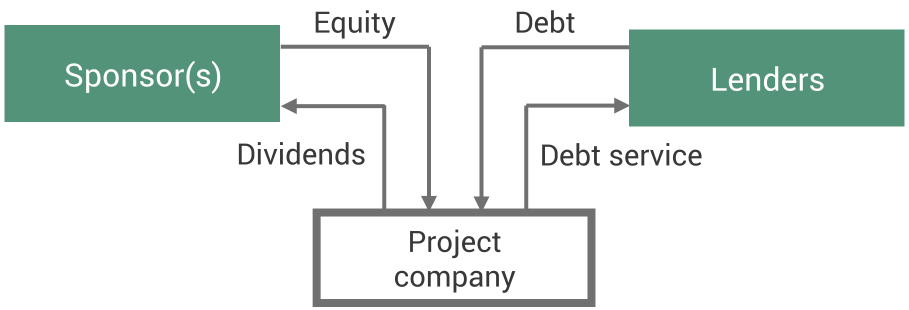
There are only two discrete sources of funding:

- By the owners (directly via equity or shareholder loans, or indirectly via guarantees)
- By banks without recourse to the equity investors – this is "project finance"

The way a project is funded will have a material impact on how it deals with contractors:

- In a project finance deal, you need to deal with the banks' requirements!
- Tax, accounting, consolidation and rating issues





All parties have a direct incentive to understand who will be funding the project

Equity providers for offshore wind – the different profiles

Investors and appetite for risk

Investor	Perm.	Dev.	Constr.	Ops.	Notes	PF
Utility	Yes	Yes	Yes	Yes	A proven solution. Requires good cooperation to manage projects jointly as few are willing to take passive stakes. Many are "full"	If possible
IPP	Yes	Yes	Yes	Yes	A few developers reaching that stage (PNE, wpd), some outsiders entering the scene (NPI, Deepwater, Highland). Flexible & pragmatic	Yes
Private equity	Some	Yes	Yes	No	Require high returns and typically either involvement in dev. phase and/or aggressive long term assumptions. Control & exit are issues	Yes
Municipal utility	No	Maybe	Some	Yes	Have small but strong balance sheets. Can be part owners. Slow decision process. Stringent risk requirements. Required IRR is low	Probably
Sovereign wealth funds	No	Maybe	Some	Yes	Require simple contracting structure, long term O&M agreements and controlling partner. Masdar took on construction risk	Not necessarily
Infra funds	No	No	Maybe	Yes	A large universe of potentially interested parties. Most still require construction risk mitigation and long term O&M agreements	Probably
Corporations	No	No	Maybe	Yes	Invest to hedge power price risk or for strategic/marketing reasons. Happy (or require) to be minority shareholder strategic investor	Not necessarily
Pension funds	No	No	Maybe	Yes	Generally do not like construction risk. Some have shown interest to step in at FC (done on Butendiek). Need long term O&M agreements	Not necessarily
Contractors	No	Maybe	Yes	No	Are taking stakes or providing subordinated vendor loans to secure project pipeline. Often need a clear perspective on exit after COD	Not necessarily

Equity providers for floating offshore

Limited appetite for early deals

Industrial investors will dominate for the early projects

- Utilities interested to test a new market segment
- IPPs looking for the “next new thing” – some private equity players might have the same approach
- Small developers – if they can find the early development equity

Strong political support required

- Outright investment subsidies required for early projects (demonstrators and early commercial projects)
- This will be needed in addition to the specific tariff likely to be required for such projects
- EU programmes (via EIB or otherwise) can contribute

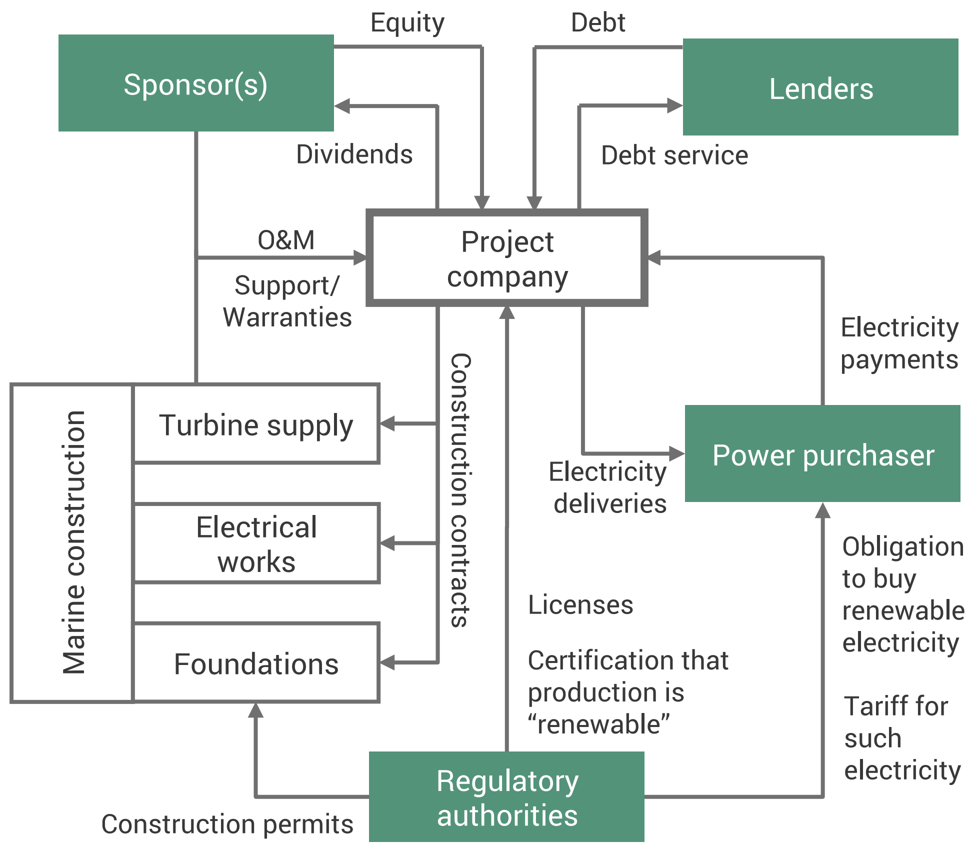
With the early demonstrators now in the water, we see investors actively looking at the sector

Debt for offshore wind

Offshore wind transactions are always heavily contracted

Major contracts include:

- Permits, licenses, authorisations, etc…
- Construction/supply contracts
- Electricity sales contracts (and, if applicable, green certificates / RO contracts)
- O&M contracts
- Financing documents



Offshore wind is a quintessential example of a comprehensive contractual structure

Offshore wind project finance – the early deals

Early deals – 4 transactions around the financial crisis

Q7 (also known as Princes Amalia) (2006, the Netherlands, 120 MW, Vestas V80, EUR 219 M financing)

- The very first deal – set a number of precedents (debt sizing principles, multi-contract construction risk taken via heavy due diligence and contingent funding, 10-year O&M package)
- 3 MLAs, 3 additional banks, plus key support from EKF

C-Power phase 1 (2007, Belgium, 30 MW, Repower 5M, EUR 126 M financing)

- Consolidation deal – a more aggressive version of the Q7 structure (longer tenor, some merchant risk)
- 1 MLA, 3 additional banks, no multilateral

Belwind phase 1 (2009, Belgium, 165 MW, Vestas V90, EUR 544 M financing)

- First deal post-financial crisis – allowed to confirm that the early structures were sound (construction risk, some merchant risk) while increasing the size thanks to heavy multilateral involvement
- 3 MLAs, EIB and EKF, no syndication – heralded the "club deal" period

Boreas (2009, UK, 194 MW offshore, Siemens 3.6-107, GBP 340 M financing)

- First UK deal, with a large number of banks (14 altogether)
- No construction risk, but funding under the UK ROC regime, with some merchant risk

2. Offshore wind project finance – the early deals

Early deals – pioneers and precedent-setting, but with a small number of players

Successful structures – and really non-recourse!

- DD + contingency mechanism structure to bear construction risk validated in subsequent deals
- Construction risk with multi-contract structure validated and repeated
- Repeated with several different turbines, sponsors and regulatory regimes
- All early projects built within agreed budget and timetable, and now operating to full satisfaction

A fairly small number of players involved

- Only a small number of institutions actually took construction risk
- Heavy reliance on a small number of multilaterals (EKF, EIB)
- The same advisors and people in almost every deal

A difficult market context

- No syndication market for what are fairly large deals – thus a need for "everybody" on each deal
- Lack of precedents at a time banks were retreating to favoured clients and familiar risks

Debt for floating offshore – what will be possible

Debt could be raised for the first commercial projects

The players

- By necessity, public financing institutions like BPI, EIB and EKF will need to play a strong role
- Some commercial banks should be willing to finance early projects with the right parties and structure

The terms

- The early deals will naturally have conservative debt terms compared to traditional offshore wind
- A key requirement will be to have lower leverage – we would expect 50:50 to be a reasonable target for early projects
- Pricing will be above offshore wind, but likely not by much (50-100bps premium)

The other requirements

- Specific due diligence will be required on the items which are new to lenders
- Availability guarantees from the right parties (commitment of the floater provider to be discussed extensively)
- Ample contingency budget, both for construction and for maintenance
- Focus on transparency, availability of track record, and strength of industrial counterparties

Debt terms will not be aggressive, but should still help investors

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